

Maximizing Corporate Value for Nippon Steel

June 10, 2025



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Executive Summary (1/2)

Challenges Facing Nippon Steel

- **Nippon Steel has become accustomed to trading below a PBR of 1x, and is currently resigned to a PBR of just 0.5x**
 - Over the past five years, its PBR has never risen above 1x
- **Nippon Steel is experiencing a significant conglomerate discount due to its ownership of many listed subsidiaries**
 - The value of businesses excluding listed subsidiaries is evaluated extremely low at around EV/EBITDA 3x
 - Given that competitors are valued around 5–6x, the presence of a large conglomerate discount is evident
- **However, Nippon Steel does not provide a quantitative explanation of whether it is the best owner of its listed subsidiaries and is unreasonably neglecting the conglomerate discount**
 - Among the listed subsidiaries contributing to the conglomerate discount, NSSOL accounts for the majority of the value
 - Still, Nippon Steel has not provided any quantitative explanation of whether it is the best owner of NSSOL
- **The unreasonable neglect of the conglomerate discount implies deficiencies in capital allocation across businesses and raises concerns about Nippon Steel's capital discipline**
 - In fact, shareholders have raised concerns regarding capital discipline in the acquisition of US Steel and decarbonization investments, as well as capital allocation related to subsidiaries and equity-method affiliates
- **The deficiencies in capital discipline and allocation, and the resulting neglect of the conglomerate discount, have contributed to Nippon Steel delivering the lowest stock return in comparison with TOPIX Core30 companies**

Risk of Irreversible Corporate Value Destruction from Future Capital Allocation

- **Going forward, Nippon Steel is expected to make investments of ¥10 trillion, far exceeding its market capitalization. Given the concerns over capital discipline and allocation, such massive investments conducted blindly raise concerns of irreversible and serious corporate value destruction**

Acquisition of US Steel

- Amid concerns over capital discipline and allocation, in December 2023 Nippon Steel announced the acquisition of US Steel for a massive ¥2 trillion
- In May 2025, it was reported that, at the request of the U.S. government, Nippon Steel plans an additional ¥2 trillion investment post-acquisition, further intensifying concerns over dysfunctional capital discipline
- Investment in US Steel is approaching a scale that exceeds Nippon Steel's market cap, raising concerns that it may become a value-destructive investment and cause serious damage to corporate value
- Furthermore, there is a possibility that Nippon Steel will grant key decision-making authority to the U.S. government, and in times of crisis, may be unable to implement agile structural reforms, further increasing the risk to corporate value
- In this context, Nippon Steel has not even provided a quantitative explanation of whether the acquisition of US Steel will generate a return significantly above the cost of capital

Decarbonization Investment

- For decarbonization investments, the previously estimated ¥4–5 trillion in capital expenditures is now expected to increase. However, regarding the investment return of decarbonization projects, neither assumptions nor targets have been disclosed
- Thus, there are unavoidable concerns that these investments may significantly damage corporate value

- **To address concerns over capital discipline and allocation, we requested either a market check on NSSOL or submission of the US Steel acquisition to a general shareholders' meeting for approval. Nippon Steel failed to provide a clear response on the market check and rejected the request for shareholder approval, and is proceeding with a massive acquisition that poses an irreversible risk to corporate value**

Executive Summary(2/2)

Voting Policy to Prevent Irreversible Corporate Value Destruction from Future Capital Allocation

■ We recommend voting against Mr. Masaaki Imai (President) and Mr. Takahiro Mori (Executive Vice Chairman and CFO/Financial IR Officer)



Mr. Masaaki Imai

Representative Director, President & COO

Reason

- The responsibility for neglecting concerns over capital discipline and capital allocation, failing to fulfill accountability to shareholders regarding future capital allocation, and causing concerns over irreversible damage to corporate value lies with Mr. Imai



Mr. Takahiro Mori

Representative Director, Executive Vice Chairman & Executive Vice President

Reason

- The failure to strongly recognize concerns over capital discipline and allocation, and the abandonment of accountability to shareholders on capital allocation, lies with Mr. Mori, who is in charge of finance and IR

Issues at Nippon Steel

Nippon Steel has become accustomed to trading below a PBR of 1x and is currently resigned to a PBR of just 0.5x

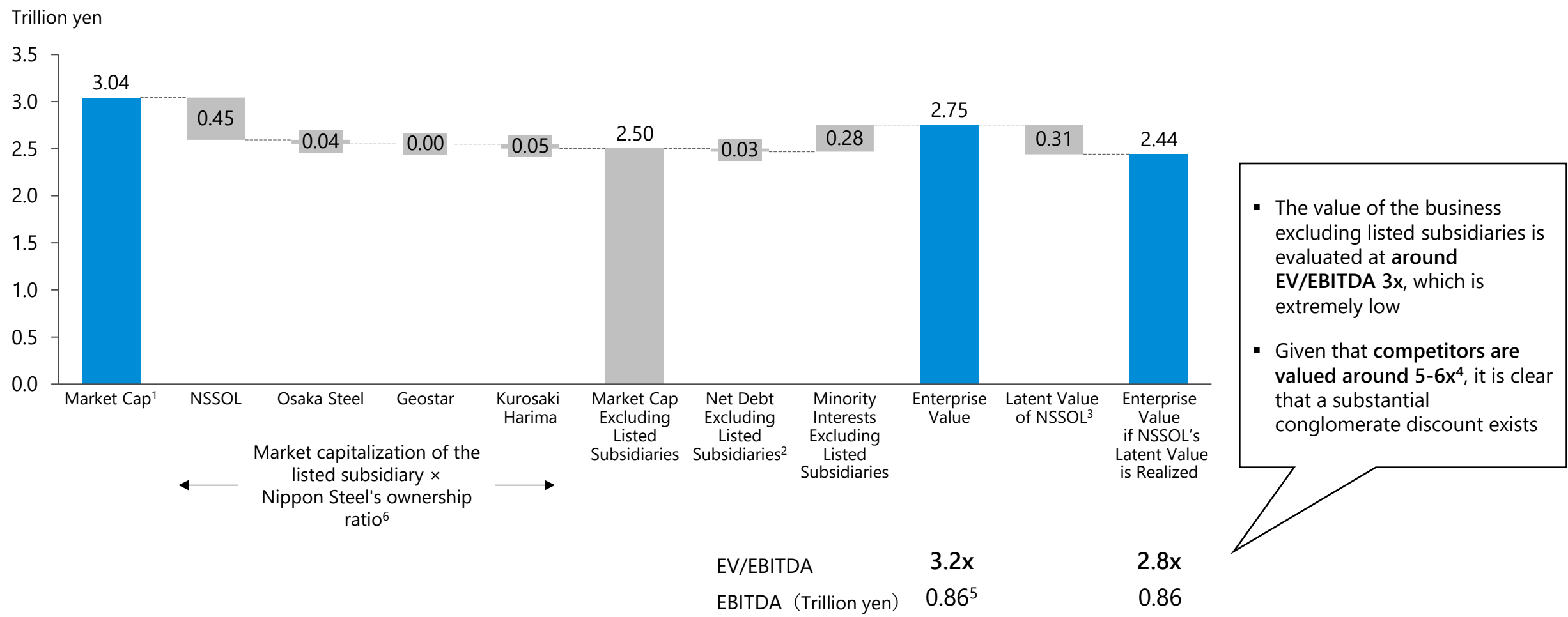
Trend in Nippon Steel's PBR over the past five years



Source: Bloomberg

Nippon Steel is experiencing a significant conglomerate discount due to its ownership of many listed subsidiaries

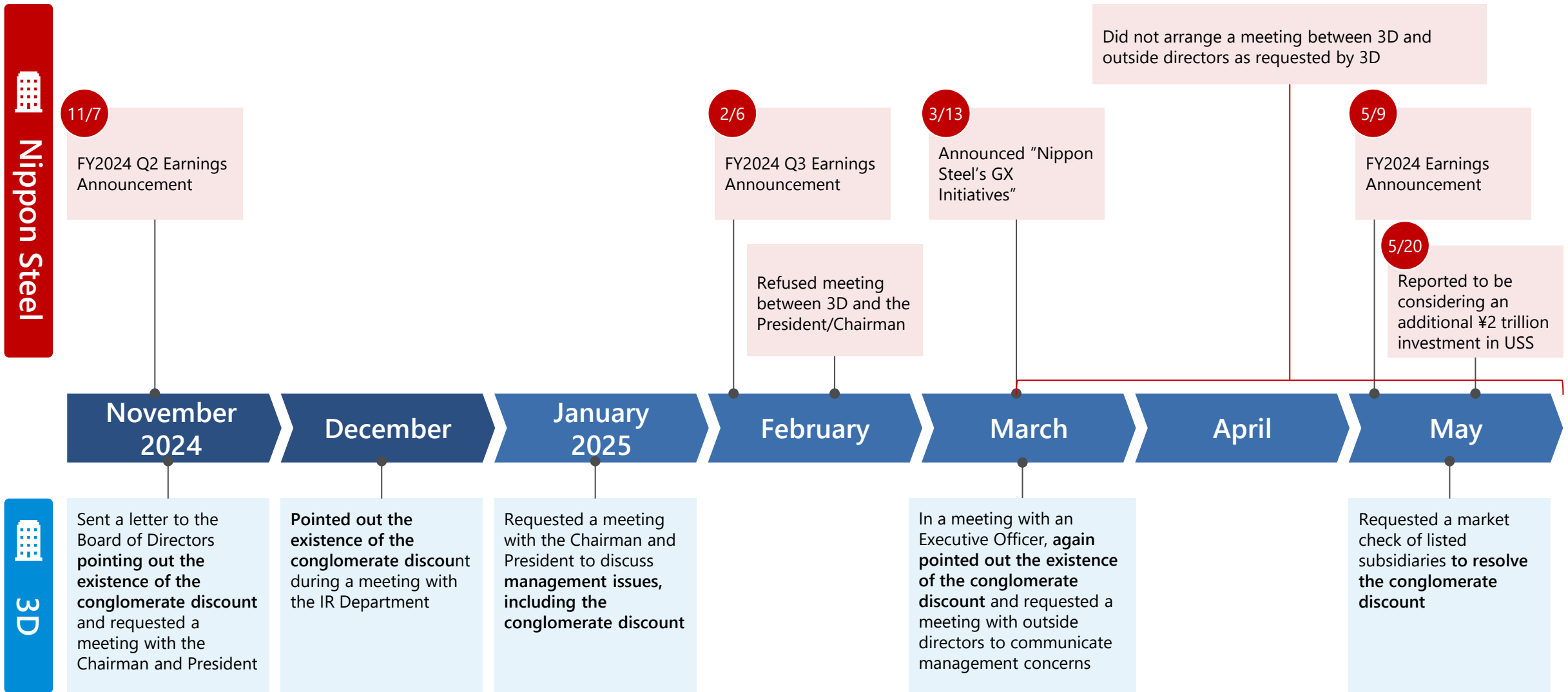
The valuation of Nippon Steel's core business is extremely low, with a severe discount applied



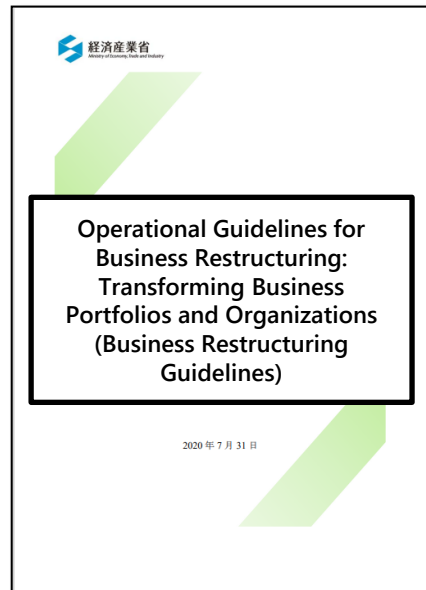
Source: Bloomberg

Note:[1] As of the end of May 2025; [2] FY2025/3 earnings report, including value of equity-method affiliates as cash like items; [3] In estimating the potential equity value of NSSOL upon sale, based on the Fuji Soft M&A case, it is assumed that equity value of at least approximately ¥1.2 trillion would be assigned; [4] Based on JFE, Kobe Steel, ArcelorMittal, and POSCO; [5] Calculated as total EBITDA minus listed subsidiaries' EBITDA. Total EBITDA is calculated as gross profit – SG&A + depreciation (which does not match operating profit + depreciation). When calculating the EBITDA of listed subsidiaries, NSSOL's figures have been adjusted from IFRS to Japanese GAAP;[6] Based on Nippon Steel's press release and annual report (FY24/3)

We have explained the existence of the conglomerate discount to Nippon Steel



To resolve the conglomerate discount, the business portfolio should be reviewed from the perspective of whether the company is the best owner



*"It is important to flexibly and boldly take a forward-looking approach, **without setting any sacred areas—including original and former core businesses**—in order to maximize the potential of each business, and to evaluate whether the company is the best owner"*

*"Even if a business generates sufficient profits and **returns exceed the cost of capital, if the company is no longer the best owner compared to peers** or in light of its future management strategy, **it is desirable to promptly sell and monetize the business, and reallocate capital toward growth investments in areas where the company has a competitive advantage**"*

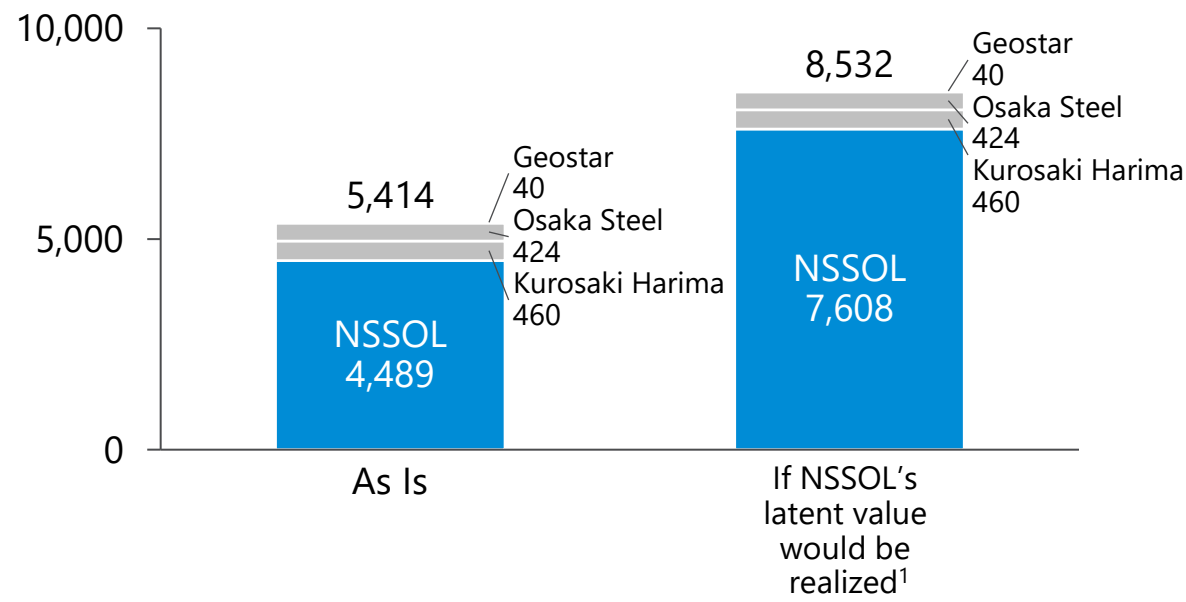
"Even if the return on capital exceeds the cost of capital, it is necessary to examine whether owning the business aligns with the company's medium- to long-term strategy, and review the business portfolio accordingly"

Business Restructuring Practice Guidelines

However, Nippon Steel does not provide a quantitative explanation of whether it is the best owner of its listed subsidiaries, and unreasonably neglects the conglomerate discount

Among the listed subsidiaries contributing to the conglomerate discount, NSSOL accounts for the majority of the value

Market capitalization attributable to Nippon Steel (100M JPY)



However, Nippon Steel has not provided a quantitative explanation of whether it is the best owner of NSSOL

- In the Corporate Governance Report, the significance of holding NSSOL is stated, but no quantitative explanation is provided
 - No other disclosures from Nippon Steel provide a quantitative explanation regarding the significance of holding NSSOL
- "In the steelmaking business, computer systems support the entire business process—order taking, production, shipment, and quality control—and serve as a vital foundation for leveraging diverse data. Retaining NSSOL as a subsidiary ensures the accumulation of know-how and the continuity of talent development, which is indispensable for differentiation and maintaining competitiveness in the steel industry. Furthermore, the implementation of advanced IT and promotion of DX in the steel business by NSSOL creates significant synergies between the two companies. In addition, leveraging the expertise and technologies developed in the steel business to provide various services to both Nippon Steel Group companies and external customers is considered to contribute to maximizing the value of NSSOL and the Nippon Steel Group as a whole"*
- Nippon Steel Corporate Governance Report

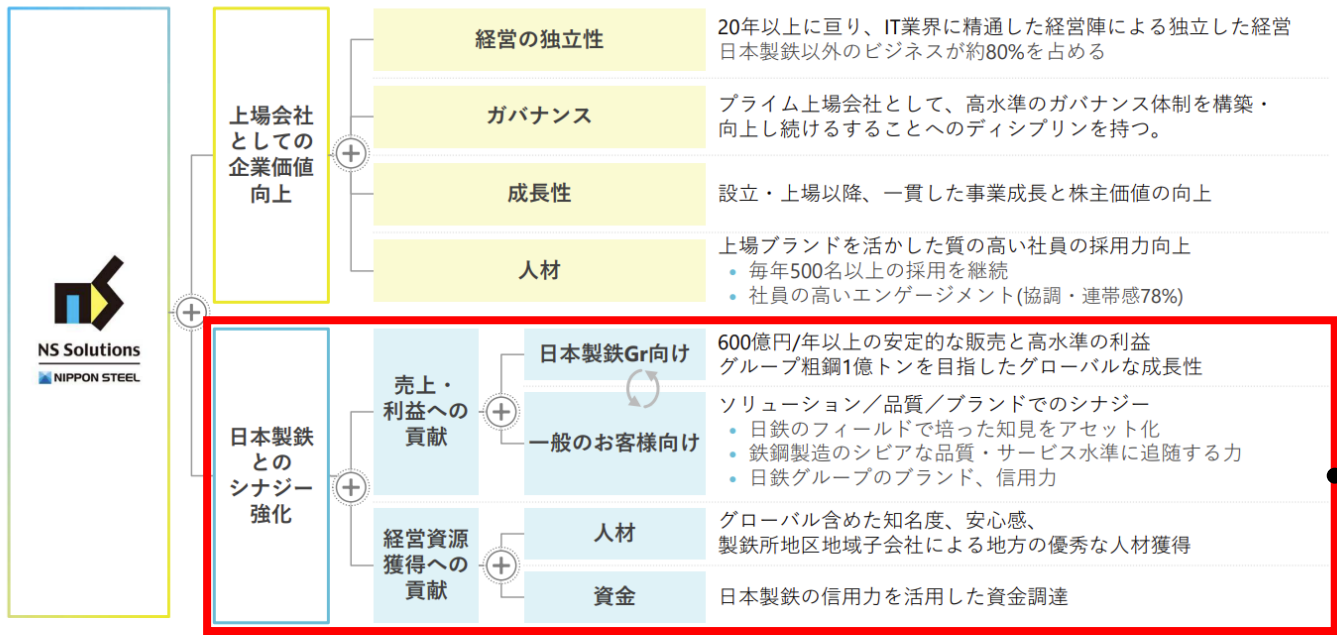
The unreasonable neglect of the conglomerate discount implies deficiencies in capital allocation across businesses, and raises concerns about Nippon Steel's capital discipline

Source: Bloomberg
Note:[1] At the time of NSSOL's divestiture, a total equity value of at least ¥1.2 trillion is assumed based on the Fuji Soft M&A case (equivalent to EV/EBITDA of 20x)

(Reference) Even in NSSOL’s own disclosure materials, there is no quantitative explanation as to whether Nippon Steel is the best owner

February 28, 2025 – NSSOL Medium-Term Management Plan 2025–2027

Enhancing Corporate Value and Strengthening Synergies with Nippon Steel
(Leveraging the Advantages of Parent-Subsidiary Dual Listings)



Lack of Rational Justification

- Only qualitative synergies are listed, and aside from the mention of "stable annual sales of over ¥60 billion," there is no other quantitative explanation
- No mention is made of any dis-synergies resulting from Nippon Steel being the parent company
- Although determining whether Nippon Steel is the best owner requires a comparison with the corporate value potentially realizable under alternative ownership, there is no indication that such a comparative review has been conducted

In fact, shareholders have expressed concerns regarding capital discipline in the US Steel acquisition and decarbonization investments, as well as capital allocation related to subsidiaries and equity-method affiliates

Results of our interviews with buy-side and sell-side analysts (Excerpt from materials submitted to the company)

"Lack of clear guidance on decarbonization investment; technical feasibility is also uncertain. There is a possibility that the market has already priced in the risk that these investments will not create value"

Analyst, Buy-side, Company D

"Sustainability of the steel business. Even if decarbonization investment is implemented, there is uncertainty as to whether it can truly generate profits"

Analyst, Buy-side, Company F

"The discount on subsidiaries such as NSSOL can be eliminated by selling them. If Nippon Steel aims to maximize corporate value, these subsidiaries should be separated"

Analyst, Buy-side, Company D

"Many equity-method affiliates are held merely as raw material sources, without any real growth strategy. Capital relationships should be reviewed, like Toyota has done"

Analyst, Buy-side, Company G

"To maintain capital discipline when advancing decarbonization investment, personnel with financial expertise are needed"

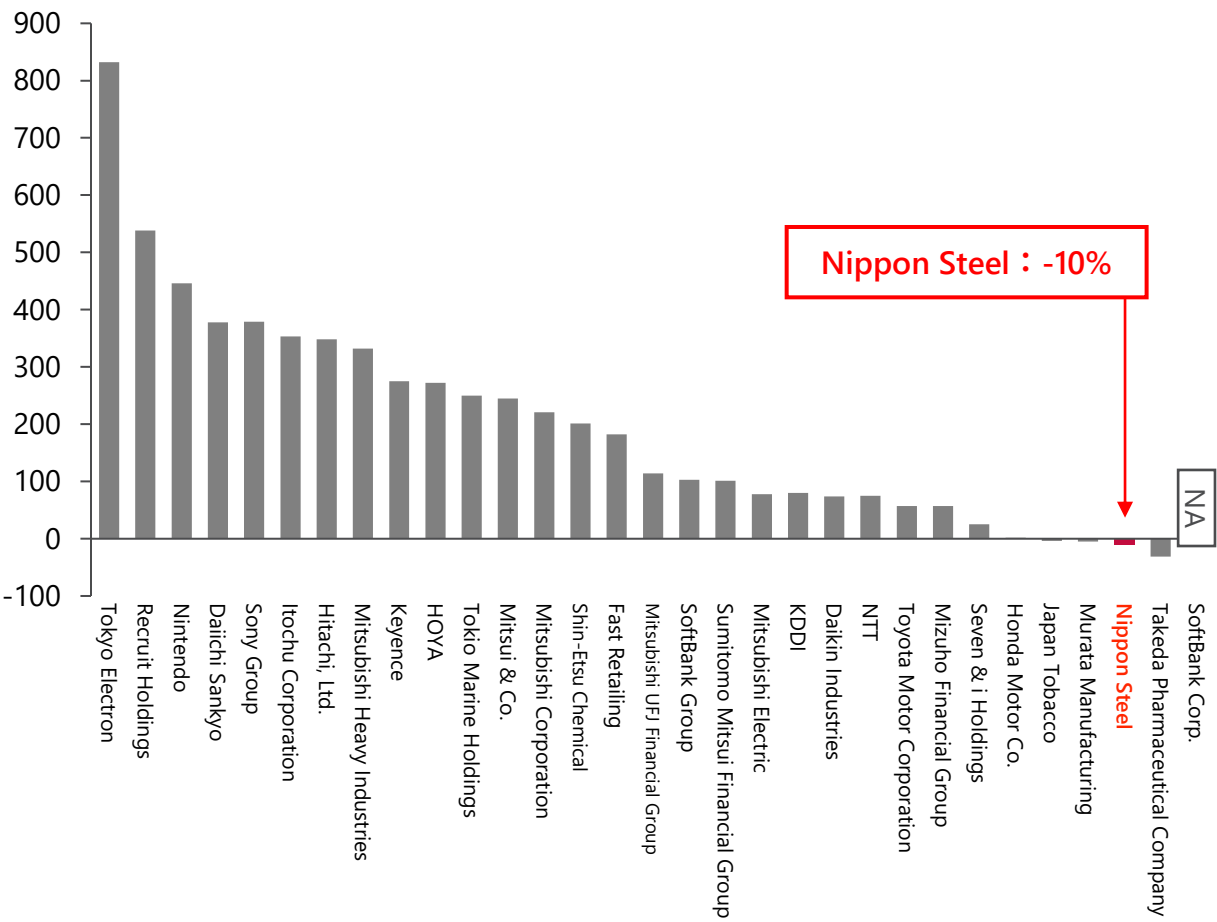
Analyst, Buy-side, Company E

"It is unclear whether the US Steel acquisition is positive. No mention of concrete synergies, and from the market's perspective, it's uncertain whether the acquisition justifies such a massive purchase price"

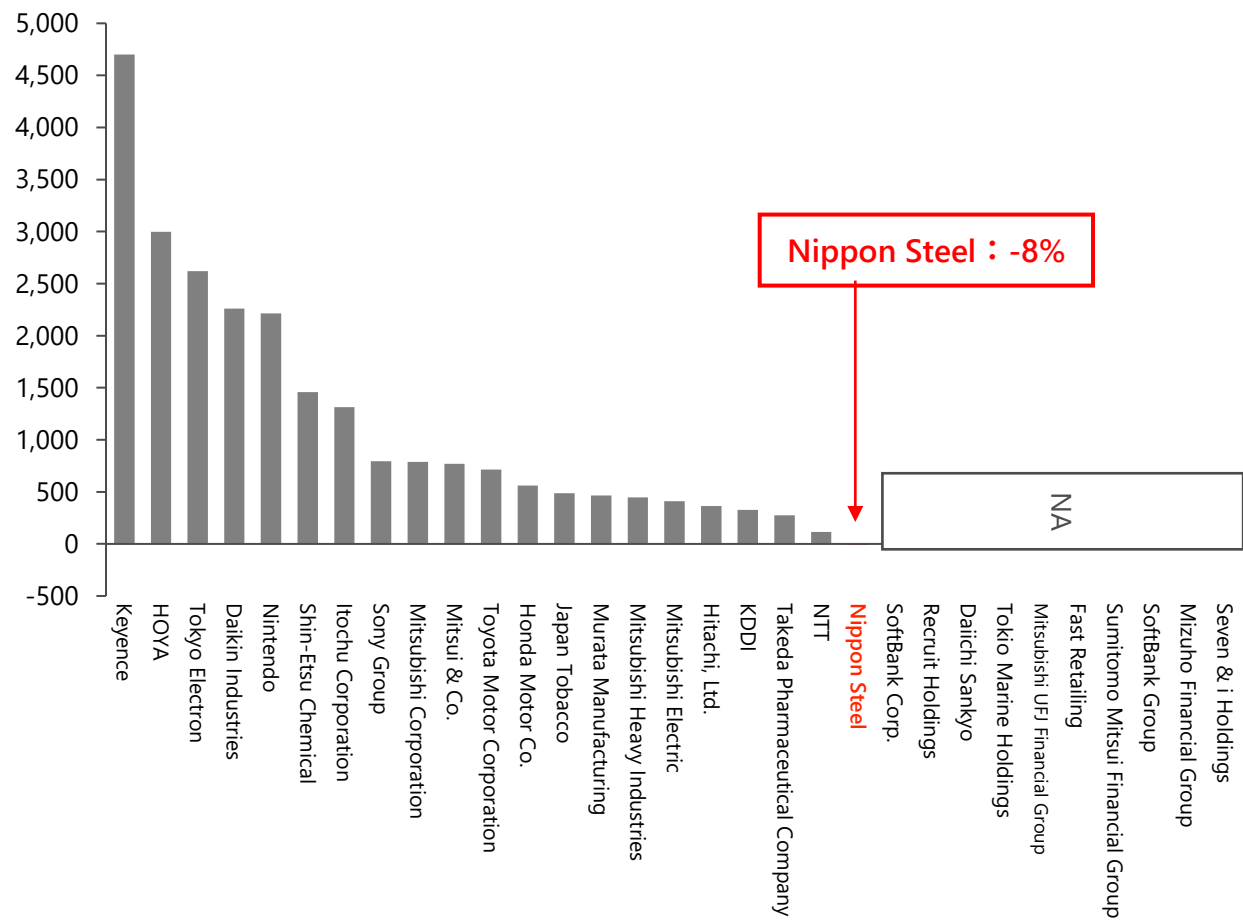
Analyst, Sell-side, Company H

Deficiencies in capital discipline and allocation, and the resulting neglect of the conglomerate discount, have contributed to Nippon Steel delivering the lowest stock return in comparison with TOPIX Core30 companies

Stock Price Performance of TOPIX Core30 Constituents vs. Nippon Steel over the Past 10 Years



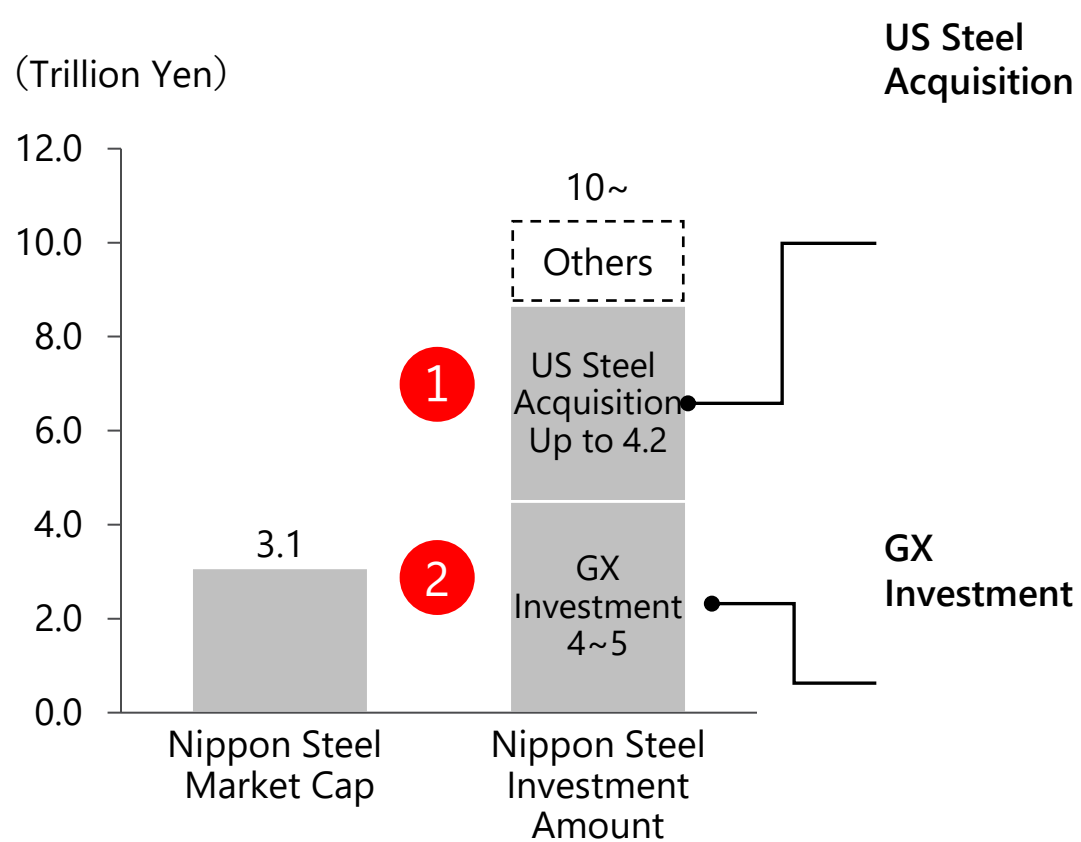
Stock Price Performance of TOPIX Core30 Constituents vs. Nippon Steel over the Past 3 Years



Source: Bloomberg
Note: Performance periods are "May 22, 2015 – May 23, 2025" and "May 23, 1995 – May 23, 2025"

Risk of Irreversible Corporate Value Destruction from Future Capital Allocation

Going forward, Nippon Steel is expected to make investments totaling ¥10 trillion, far exceeding its market capitalization




- The ¥4.2 trillion investment includes ¥2.1 trillion for the acquisition of US Steel and an additional ¥2.1 trillion for further investment in US Steel
- An investment of such magnitude, exceeding market capitalization, may result in irreversible and value-destructive damage to corporate value
- Furthermore, due to limited managerial flexibility, there is a heightened risk that agile structural reforms cannot be implemented during crises, further increasing the risk of corporate value destruction
- Nippon Steel has not provided any explanation as to whether the US Steel acquisition will generate a return significantly above the cost of capital.
- The ¥4–5 trillion investment refers to the total capital required for decarbonization efforts by Nippon Steel
- Recent disclosures indicate that the required investment is expected to exceed initial projections
- Regarding the investment return on decarbonization initiatives, neither assumptions nor target figures have been disclosed

Given the ongoing concerns over capital discipline and capital allocation, proceeding blindly with such massive investments raises serious concerns about irreversible and significant damage to corporate value

1 In December 2023, despite ongoing concerns over capital discipline and capital allocation, Nippon Steel announced the acquisition of US Steel for approximately ¥2 trillion

December 18, 2023 – “Regarding the Acquisition of United States Steel Corporation”



2023年12月18日

各 位

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代表者名 代表取締役社長 橋本 英二
(コード番号 5401 東証プライム、名証、福証、札証)
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Regarding the acquisition of United States Steel Corporation

日本製鉄株式会社（以下「当社」といいます。）は、2023年11月30日、12月15日及び12月18日開催の取締役会の決議により委任を受けた代表取締役により、本日（日本時間）、当社の米国子会社であるNIPPON STEEL NORTH AMERICA, INC.（以下「NSNA」といいます。）を通じ、米国の高炉・電炉一貫の鉄鋼メーカーであるUnited States Steel Corporation（以下「U. S. Steel」といいます。）を買収すること（以下「本買収」といいます。）、及びU. S. Steel との間で本買収に関する合併契約を締結することを決定致しましたので、下記の通り、お知らせ致します。

なお、当社及びU. S. Steel は、本日、別紙の通り、共同ステートメントをリリースしております。

記

1. 本買収の概要・方法

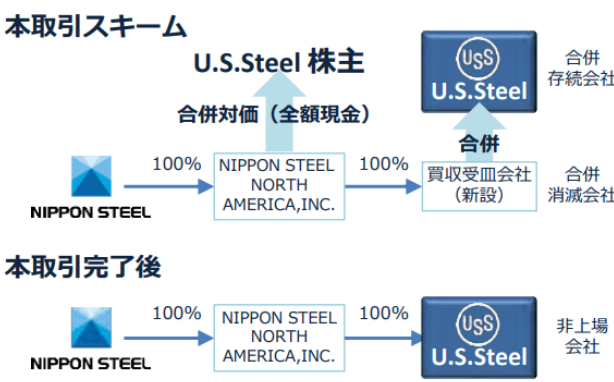
本買収は、NSNA が本買収のために設立した子会社である2023 Merger Subsidiary, Inc.とU. S. Steel とを合併する方法（逆三角合併）により実行致します。具体的には、当該合併により、U. S. Steel の発行済株式が合併対価（1株当たり55米ドル）を受領することができる権利に転換されて消滅し、それと同時に、NSNA が保有していた2023 Merger Subsidiary, Inc.の発行済株式がU. S. Steel の株式に転換されることにより、U. S. Steel は当社の完全子会社となります。なお、本買収の実行は、U. S. Steel の株主総会において承認が得られること、関係当局の承認等が得られること、その他合併契約に定める前提条件が満たされることを条件としております。

合意した取得価格はU. S. Steel 株式の2023年12月15日の終値（39.33米ドル/株）に対して40%のプレミアムを加えた価格となります。


本買収を実行するための資金調達につきましては、主として主要取引銀行からの借入金で対応する予定であり、資金の手当てを確保しております。本買収の実行後、当社株主や財務健全性への影響も考慮した上で、当社経営・財務状況・市場動向などを勘案しながら、必要に応じて、資本構成を評価し、最適な資金調達手段を検討

子会社化スキーム

本取引スキーム




本取引完了後



U.S.Steel 株価

買収対価 55\$/株



2023.8.13
Cleveland cliffsの
U.S.Steel買収提案が
公開化

前営業日株価(12/15) 39.33\$/株に対する
プレミアム40%

5

Total acquisition amount: 14,126 million dollars (approximately 2,010 billion yen)
Enterprise value including debt: 14,868 million dollars (approximately 2,120 billion yen)
A commitment letter for the acquisition funds has been received from domestic financial institutions

スケジュール

2023年12月18日 合併契約締結
2024年3月ごろ U.S.Steel株主総会
関係当局の許可可取得次第、クロージング（2024年（暦年）第2又は第3四半期）

NIPPON STEEL

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1 In May 2025, it was reported that, at the request of the U.S. government, Nippon Steel is planning an additional investment of approximately ¥2 trillion following the acquisition, further intensifying concerns over dysfunctional capital discipline

Reuters reported that Nippon Steel is planning to invest \$14 billion (approx. ¥2.1 trillion) in US Steel



This massive investment plan appears to have been formulated largely in response to the U.S. government's request, raising concerns over a lack of capital discipline

- At the time of the acquisition announcement, the additional investment commitment was limited to \$1.4 billion

"Nippon Steel commits to invest an additional \$1.4 billion—140% above the current labor agreement level—after the acquisition is completed, and to avoid layoffs and plant closures related to the acquisition"

March 15, 2024, Nippon Steel, "Statement on the Acquisition of US Steel"

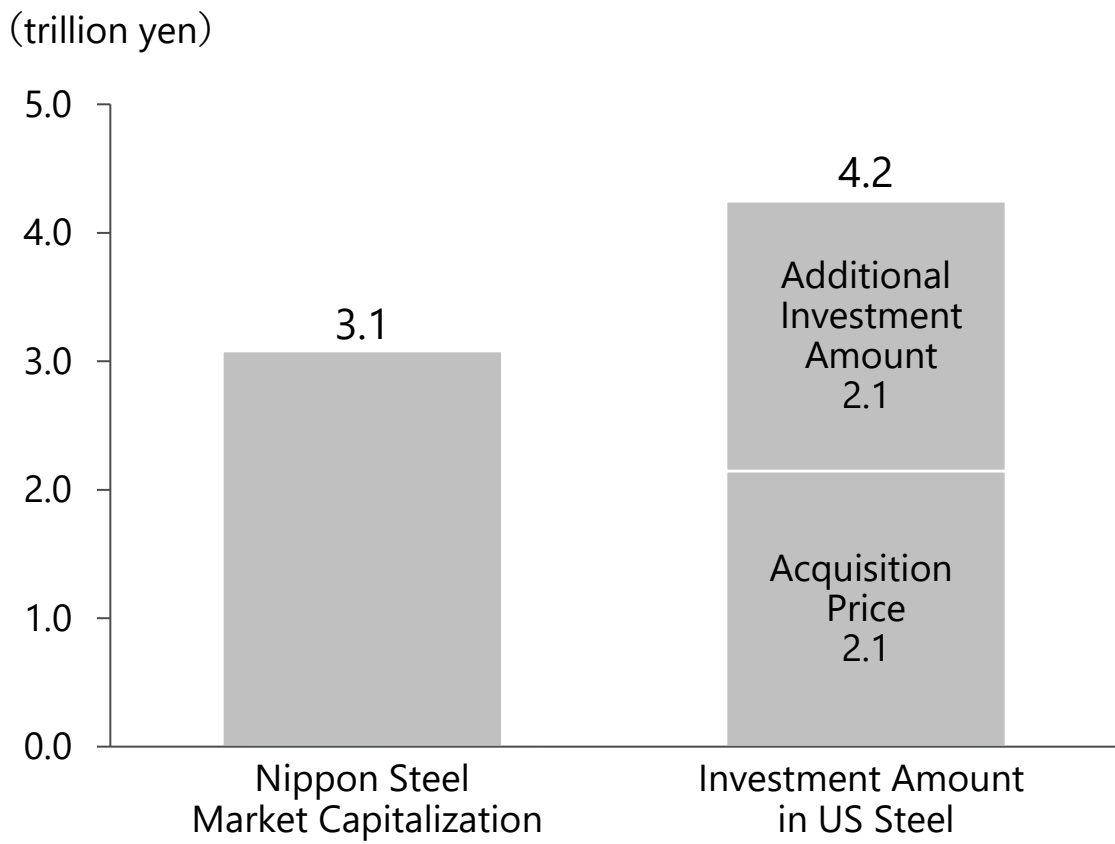
- The \$14 billion investment plan announced in May 2025 represents a substantial increase over the original plan and signifies a large-scale addition to capital expenditures
- This large-scale investment addition is also believed to have been formulated in response to the U.S. government's request, raising concerns about a lack of autonomous investment decision-making

"It is unclear whether billions of dollars in new investments will be enough to convince President Trump, but according to two sources, the Trump administration demanded an increase in the investment"

May 20, 2025, Reuters, "Nippon Steel Plans \$14 Billion Investment in US Steel If U.S. Government Approves Acquisition"

1 The investment in US Steel is reaching a scale that exceeds Nippon Steel's market capitalization, raising increasing concerns that it could become a value-destructive investment causing serious damage to corporate value

Nippon Steel's total investment in US Steel is expected to reach up to \$28.9 billion (approx. ¥4.2 trillion), exceeding its own market capitalization (approx. ¥3.1 trillion)



Executing an investment that exceeds market capitalization carries a high risk of becoming value-destructive and damaging corporate value

Investments where ROIC < Cost of Capital are value-destructive

"In other words, if a company grows through value-creating investments (ROIC > WACC), corporate value increases, but if it grows through value-destructive investments (ROIC < WACC), corporate value declines"

Toshio Tamura, "Opinion Paper for the 3rd Business Restructuring Study Group," p.11

Large-scale investments carry a high risk of resulting in ROIC < Cost of Capital

Factors for Decline in ROIC	Factors for Increase in Cost of Capital
<ul style="list-style-type: none">■ If investments are made in order of highest ROIC opportunities, then expanding the total investment scale will inevitably lead to a decline in average ROIC	<ul style="list-style-type: none">■ Excessive investment that undermines financial soundness contributes to higher debt cost<ul style="list-style-type: none">- S&P has indicated a possible downgrade of Nippon Steel's credit rating

ROIC

Investment Amount

"(S&P has stated that) if the acquisition is financed mainly through debt, a **one-to-two notch downgrade is possible**. If the additional investments increase financial burden, the downgrade may exceed two notches"

May 26, 2025, Nikkei

1 In addition, Nippon Steel may grant key management decision-making authority to the U.S. government, further increasing the risk of corporate value destruction by limiting agile structural reforms in times of crisis

Nippon Steel may grant the U.S. government veto rights over the appointment and dismissal of directors and the reduction of production capacity in the U.S.

- A proposal has emerged for Nippon Steel to grant the U.S. government a **“golden share” that allows veto rights over key management decisions with just one share**
- The veto rights would apply to **“appointment and dismissal of directors” and “reduction of production capacity in the U.S.”**

“In Nippon Steel’s acquisition of U.S. steel giant US Steel, a proposal has emerged to grant a ‘golden share’ to the U.S. government. A golden share (a type of stock with veto rights) carries stronger authority than normal voting rights, allowing the holder to veto director appointments/dismissals or shareholder resolutions with just one share”

Nikkei, “Golden Share Considered by Nippon Steel Would Grant Veto Power to U.S. Government; Expert: ‘Symbolic Significance’” (May 28, 2025)

“In an interview with CNBC, Senator McCormick said, ‘There will be an American CEO, a board with a majority of American directors, and a golden share. Essentially, multiple board member appointments will require U.S. government approval, ensuring that production levels in the U.S. are not reduced’”

Reuters, “Golden Share Is a Condition for U.S. Government’s Approval of Nippon Steel’s US Steel Acquisition, Says U.S. Senator” (May 28, 2025)

If Nippon Steel attempts structural reforms during a crisis, the U.S. government may exercise its veto power

- In the event of poor performance due to management errors or market deterioration, **swift structural reforms such as the following are essential** to preserve and enhance corporate value:
 - Dismissal of underperforming directors
 - Reduction of production capacity in line with demand
- Since Nippon Steel has committed to the U.S. government that **“a majority of directors will be U.S. nationals” and that “key facilities will maintain production capacity for 10 years,”** the U.S. government may veto such reforms

“Following the acquisition, a majority of US Steel’s board will be U.S. nationals, with three independent directors approved by CFIUS. Key executive roles (e.g., CEO, CFO) will be held by U.S. nationals. Nippon Steel also voluntarily committed not to reduce production capacity at US Steel sites in Pennsylvania, Arkansas, Alabama, Indiana, and Texas for 10 years without CFIUS approval”

Nippon Steel, “Joint Statement Opposing the U.S. Government’s Unlawful Order to Block the US Steel Acquisition – Nippon Steel and US Steel Are Considering All Legal Options” (Jan 3, 2025)

1 Concerns Raised by Analysts and Media Regarding the US Steel Acquisition and Risk to Corporate Value

Concerns over unclear returns on massive investment

"Nomura assumes Nippon Steel will invest ¥880 billion in US Steel over FY27.3–FY30.3. The newly reported amount exceeds this estimate. Without a clear explanation of the investment's effect, the market may respond negatively"

Nomura Analyst Report, "Report on Additional Investment Related to US Steel" (May 20, 2025)

"With the acquisition framework still unclear, adding the reported \$14 billion (as of May 19 JST) to the initial cost would bring the total to \$1,485 per ton—considered expensive vs. the usual <\$1,000"

SMBC Nikko Analyst Report, "Unclear Framework, but Trump May Approve US Steel Acquisition"

"The market's focus could shift from whether the acquisition will go ahead and the investment value to whether the cumulative investment return from a new growth strategy for US Steel + Nippon Steel can drive expansion in shareholder value"

UBS Analyst Report, "US president's speech; the focus shifts to investment return"(June 2, 2025)

Concerns over deterioration in financial health

"Regardless, large-scale investment and capital injection will likely weaken the financial structure temporarily and raise the likelihood of a capital increase"

SMBC Nikko Analyst Report, "U.S. Government May Hold Golden Share in US Steel Acquisition" (May 27, 2025)

"S&P has previously stated that a mainly debt-financed acquisition may lead to a 1–2 notch downgrade. With heavy short-term financial burden now evident, the downgrade could exceed 2 notches"

S&P Global Ratings, "Bulletin: Nippon Steel Finances Face Greater Pressure With Additional U.S. Steel Investment" (May 26, 2025)

Concerns over increased risk of corporate value destruction due to reduced management flexibility

"Even if a majority stake becomes possible, if the government holds voting rights, there appears to be a risk that management flexibility will be constrained, leaving the impression that this is not something to welcome unreservedly. In particular, structural reforms in response to a worsening market environment may be difficult"

SMBC Nikko Analyst Report, "Golden Share Held by U.S. Government in US Steel Acquisition" (May 27, 2025)

"There are concerns that even after the acquisition, the U.S. government will retain significant influence. U.S. attorney Steven Gibbons warned that the government could appoint a majority of board members or influence production and employment levels"

Nikkei, "Nippon Steel's Golden Share Proposal Grants Veto to U.S. Government; Legal Expert Calls It 'Symbolic'" (May 28, 2025)

1 Under such circumstances, Nippon Steel has not provided even a quantitative explanation as to whether the US Steel acquisition will generate a return significantly above the cost of capital

There has never been a quantitative explanation regarding the investment return of the US Steel acquisition

- The contribution to earnings from US Steel was mentioned over a year ago—only during a Q&A session—as approximately ¥150 billion

“The US Steel acquisition will be an earnings-generating investment, adding approximately ¥150 billion in profit”

Summary of Q&A from FY2023 Q3 Earnings Presentation (February 7, 2024)

- However, no explanation has ever been given on the investment return from the acquisition. Even when a business restructuring loss—which directly impacts investment return—was disclosed, no quantitative impact was mentioned

“On the 19th, Nippon Steel President Eiji Hashimoto held a press conference on the previous day’s announcement of the acquisition of US steelmaker US Steel, stating, ‘We are proceeding on the basis that the deal is economically rational.’ In response to criticism that the ¥2 trillion acquisition price may be excessive, he denied it was overpriced. When asked about synergies and profit contribution, he declined to comment”

Reuters, “US Steel ¥2 Trillion Acquisition ‘Economically Rational’: Nippon Steel President” (December 19, 2023) (23/12/19)

“Even taking into account this loss amount¹, we believe it remains within the range that ensures the economic viability of the US Steel acquisition”

Summary of Q&A from IR Briefing on the Transfer of AM/NS Calvert Stake for US Steel Acquisition (held on October 11, 2024)

Even in the most recent FY2024 full-year results, no quantitative explanation has been provided regarding the investment return of the US Steel acquisition



- Although the company states it is actively promoting investments that exceed the cost of capital...



- ...in the case of the US Steel acquisition, only qualitative alignment with its growth strategy has been emphasized

2 Regarding decarbonization investment, the previously estimated ¥4–5 trillion in capital expenditures is now expected to increase further

Initially, capital expenditures associated with GX were estimated at ¥4–5 trillion (as of March 2021)

カーボンニュートラル実現への挑戦と社会との連携

当社は日本の鉄鋼業が引き続き世界をリードし日本の産業全般の競争力を維持・強化するために必須である、カーボンニュートラルの実現に向けた**超革新技術の他国に先駆けた開発・実機化**に、経営の最重要課題として果敢に挑戦

カーボンニュートラル実現に伴う3つのコストアップ

- ① 巨額の研究開発費
 - ② 実機化のための巨額の設備投資
 - ③ 安価なカーボンフリー水素・カーボンフリー電力が調達できた場合においても、操業コストが上昇
- 粗鋼の製造コストは現状の倍以上となる可能性

カーボンニュートラル実現に必要な3つの連携

- ① 「環境と成長の好循環」を実現する国家戦略
非連続的イノベーション等の研究開発に対する長期かつ継続的な政府の支援
安価安定大量の水素供給インフラ確立、国際競争力あるコストでのゼロエミ電源の実現、CCUS等の開発・実用化のための国家プロジェクト推進
- ② 国際競争におけるイコールフットING確保、産業競争力強化、ビジネスチャンスにつながる政策の一体的実現
- ③ 社会全体でコスト負担するコンセンサスの形成
研究開発や既存設備の転換を伴う設備投資、大幅な製造コスト上昇等、カーボンニュートラル実現に伴うコストを社会全体で負担するしくみの構築

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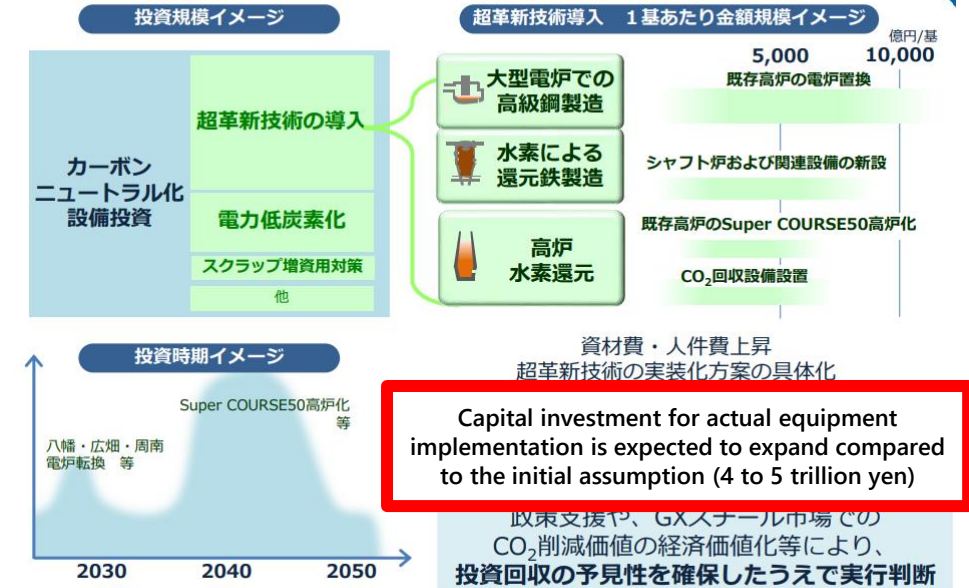
Required Investment Image for Carbon Neutrality

Capital Investment for Actual Equipment Implementation Scale of 4 to 5 trillion yen

2021...
* 当面想定されるミニマム水準

However, in the “Nippon Steel GX Initiatives” released in March 2025, the company indicated that the investment amount is expected to increase

CAPEX 実機化設備投資イメージ



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Even after factoring in government subsidies, large-scale capital expenditures will still be unavoidable

2 Under these circumstances, no assumptions—let alone target figures—have been disclosed regarding the investment return of decarbonization (GX) projects

On the investment return of GX initiatives, Nippon Steel has only raised qualitative challenges toward establishing predictability of returns

At the GX investment briefing (March 2025), the company stated that the economic rationality of such investment is “undetermined,” and did not present any target figures

The key to establishing predictability of GX investment recovery

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「CO₂削減価値」の対価が支払われる健全なGXスチール市場の形成がGX投資回収予見性の確立に向けた最大課題

GXスチールのコストを「CO₂削減価値」として価格反映

- GX投資を事業として成立させるためには、増加するGXスチールのコストを対価によって回収できることが必須
- GXスチールの価格は「CO₂削減価値」に見合う適正な水準への引き上げが必要
- CO₂削減に要するコストを「CO₂削減価値」としてバリューチェーン全体、ひいては社会全体で負担し、評価される環境整備が必要

CO₂削減価値の見える化

- 顧客にとっても、GXスチールの「削減価値」が、それを活用して製造する製品の環境価値に適切に反映できる「GX価値の見える化」が必要

GXスチール購買に誘導するインセンティブ

- 他方、GXスチールは、CO₂削減価値を有するも鉄鋼製品の機能自体は不変
- 従来鋼材も併存する期間において、顧客の購買を「GXスチール」に誘導するためのインパクトあるインセンティブ・メカニズムの確立が不可欠

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Question from investors/analysts

“ (What is the expected scale of R&D costs, capital expenditures, and operational cost increases related to GX over the next three years? (...) Many investors would like to see more concrete disclosure. Please consider disclosing based on some assumptions when feasible”

Response from Nippon Steel

“Quantifying the total investment, including R&D expenses, is difficult at this time, as various technologies are still under development, and the combination and economic rationality of each technology remain uncertain”

Excerpt from the summary of Q&A at the “Nippon Steel Green Transformation Initiatives” investor briefing (March 13, 2025, for overseas audiences)

There is no choice but to have serious concerns that decarbonization investments may significantly impair corporate value

We requested that Nippon Steel either conduct a market check for NSSOL to address concerns over capital discipline and allocation, or submit the urgent US Steel acquisition to a shareholder vote to obtain shareholder confidence

Accordingly, through this letter, we request that your company objectively understand the value that could be realized if independence from your company is ensured in Nippon Steel Solutions, thereby addressing the conglomerate discount associated with Nippon Steel Solutions. Recognizing the importance and urgency of examining this management issue, we urge you to appoint a financial advisor well-versed in this area and, while receiving appropriate advice, proactively conduct a market check that treats Nippon Steel Solutions as a potential acquisition target.

If your company does not conduct a market check regarding the potential acquisition of Nippon Steel Solutions, and if it becomes apparent that no efforts are being made to resolve the serious conglomerate discount, concerns about your company's capital discipline and capital allocation will not be dispelled. In such a case, with the anticipated acquisition of U.S. Steel expected to greatly exceed the originally assumed scale, we request that your company itself present the matter to a general shareholders meeting and obtain explicit approval from shareholders in order to confirm their intent.

According to media reports, additional investments following the acquisition of U.S. Steel are expected to expand to the scale of 2 trillion yen. Combined with the acquisition cost of 2 trillion yen, this will amount to an acquisition of 4 trillion yen—clearly exceeding your company's current market capitalization and representing a decision that could determine the future of your firm. Your acquisition of U.S. Steel has reached a scale entirely different from what was originally anticipated, and shareholders did not entrust the board with such a massive acquisition. Should you proceed with the acquisition of U.S. Steel without a clear explanation of quantitative returns, and if this were to result in a significant loss in corporate value, your management team could be held accountable not only for poor judgment but also face legal responsibility. If you can obtain the confidence of shareholders in advance, your board of directors will be able to pursue the acquisition of U.S. Steel with greater confidence.

※Red highlighting added by our company

Our Request to Nippon Steel

1. **Conduct a market check¹ targeting Nippon Steel Solutions (NSSOL)**

Alternatively

2. **Submit the US Steel acquisition to a shareholder vote and obtain shareholder confidence**

Background of the Request

- We pointed out to Nippon Steel the issue of the conglomerate discount
 - Nippon Steel has neglected this management issue, leading to concerns over capital discipline and capital allocation
 - To ensure accurate understanding of the significance of this issue and shareholder concerns, we believe it is essential that Nippon Steel objectively recognize the value that would be realized if the conglomerate discount at NSSOL were resolved
-
- The US Steel acquisition is a massive transaction exceeding Nippon Steel's market capitalization and poses a serious risk of value destruction
 - If it results in significant impairment of corporate value, directors may face managerial and legal responsibility
 - To proceed with confidence, the Board of Directors must earn the trust of shareholders regarding the acquisition

Source: Letter from our company to Nippon Steel's Board of Directors (May 23, 2025)
Note: [1] A market check is an assessment of potential buyers in the market. (See "Fair M&A Guidelines," p.35; "Conduct Guidelines in Corporate Acquisitions," p.20)

However, the request was rejected, and Nippon Steel is proceeding with a massive acquisition that risks irreversible value destruction, without addressing concerns over capital discipline or seeking shareholder input

Our Request

Conduct a market check

- Appoint a financial advisor with expertise in the relevant field
- Conduct a market check with NSSOL as the target company

Seek shareholder approval regarding the US Steel acquisition

- Obtain prior approval at a shareholders' meeting for the US Steel acquisition

Nippon Steel's Response

- Nippon Steel stated that “whether a market check will be conducted is not something to be disclosed to shareholders,” and therefore gave no clear answer
- Nippon Steel replied that there are no plans to submit the investment in US Steel as an agenda item at the shareholders' meeting

Voting Policy to Prevent Irreversible Corporate Value Destruction from Future Capital Allocation

We recommend voting against Mr. Imai (President) and Mr. Mori (responsible for Finance and IR)



Mr. Masaaki Imai
Representative Director, President & COO

Career	
Apr-88	Nippon Steel Corporation – Joined the company
Apr-16	Nippon Steel & Sumitomo Metal Corporation – Executive Officer, General Manager of Nagoya Works
Apr-19	Nippon Steel Corporation – Managing Executive Officer
Jun-20	Nippon Steel Corporation – Managing Director
Apr-21	Nippon Steel Corporation – Managing Director; Sub-leader of Zero Carbon Steel Project, Sub-leader of Next-Generation Hot Strip Mill Project
	Nippon Steel Corporation – Managing Director; Leader of Integrated Steelmaking Project in Thailand
Feb-22	(Global Business Development Division), Sub-leader of Zero Carbon Steel Project, Sub-leader of Next-Generation Hot Strip Mill Project
	Nippon Steel Corporation – Managing Director; Leader of Integrated Steelmaking Project in Thailand,
Apr-22	Deputy Head of Green Transformation Promotion Division, Sub-leader of Next-Generation Hot Strip Mill Project
Apr-23	Nippon Steel Corporation – Executive Vice President & Representative Director; Head of Green Transformation Promotion Division, Sub-leader of Next-Generation Hot Strip Mill Project
	Nippon Steel Corporation – Executive Vice President & Representative Director; Head of Green
Jun-23	Transformation Promotion Division, Leader of Electric Furnace Process Promotion Project, Sub-leader of Next-Generation Hot Strip Mill Project
Apr-24	Nippon Steel Corporation – President & COO

- | Reason | |
|--------|--|
| ▪ | Mr. Imai is responsible for neglecting concerns over capital discipline and allocation, and for failing to fulfill accountability to shareholders regarding future capital allocation, thereby raising concerns about irreversible damage to corporate value |



Mr. Takahiro Mori
Representative Director, Executive Vice Chairman & Executive Vice President

Career	
Apr-83	Nippon Steel Corporation – Joined the company
Apr-14	Nippon Steel Corporation – Executive Officer, Deputy General Manager, Sheet Products Division
Jun-16	Usiminas – Vice President
Apr-20	Nippon Steel Corporation – Managing Executive Officer; General Manager of Plate Products Division and Tubular Products Division; Leader of VSB Project (Global Business Development Division)
Apr-21	Nippon Steel Corporation – Executive Vice President; Head of Global Business Development Division; Leader of Integrated Steelmaking Project in India
Jun-21	Nippon Steel Corporation – Executive Vice President & Representative Director; Head of Global Business Development Division; Leader of Integrated Steelmaking Project in India
Apr-23	Nippon Steel Corporation – Executive Vice President & Representative Director; Head of Global Business Development Division; Leader of India Project
Apr-24	Nippon Steel Corporation – Executive Vice Chairman & Executive Vice President; Head of Global Business Development Division; Leader of India Project; Leader of US Steel Project

- | Reason | |
|--------|--|
| ▪ | Mr. Mori is responsible for failing to fully recognize concerns over capital discipline and for abandoning accountability to shareholders regarding capital allocation, despite being responsible for Finance and IR |

①Mr. Imai, as President, is responsible for ignoring concerns over capital discipline and allocation, failing to explain future capital plans to shareholders, and raising concerns of irreversible damage to corporate value

The President bears ultimate responsibility for corporate management and value creation

*"In any governance structure, it is the management team, including the **President/CEO**, that bears ultimate responsibility for integrated management and plays a neutral role in enhancing long-term corporate value (e.g., outside directors do not manage the company)"*

CGS Guidelines, 1.2 Direction of the CGS Guidelines

Since Mr. Imai's appointment as President, concerns about irreversible corporate value destruction have continued to grow

Regarding the US Steel acquisition

An initial capital expenditure of \$1.4 billion¹ was assumed, but under Mr. Imai's leadership, the amount has been significantly increased

- August 2024: Nippon Steel announced a plan to invest \$2.7 billion in US Steel by 2028²
- May 2025: Reports indicated the investment amount would increase to \$11.0 billion by 2028, and further to \$14.0 billion over the following years³

Regarding GX (Green Transformation)

An initial total investment of ¥4–5 trillion by 2050⁴ was assumed, but under Mr. Imai's leadership, this amount has also been revised upward

- March 2025: In "Nippon Steel's GX Initiatives," the company stated that capital investment is expected to exceed the original estimate⁵

②Mr. Mori, who is responsible for Finance and IR, is accountable for failing to fully recognize concerns over capital discipline and allocation, and for abandoning accountability to shareholders regarding capital allocation

IR plays a critical role in understanding shareholder concerns and ensuring accountability

"In general, Investor Relations (IR) refers to the activities in which a company continuously, fairly, and proactively provides investors (including potential investors) and shareholders with information necessary for investment decisions. Through IR activities, a company can deepen mutual understanding with investors, build trust, and obtain proper valuation in the securities market"

Draft Guidelines on the Implementation of IR Activities, Japan Securities Dealers Association

"Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation"

National Investor Relations Institute

"IR (Investor Relations) refers to activities in which companies provide shareholders and investors with corporate information necessary for investment decisions in a timely, fair, and continuous manner. Through IR activities, companies can gain proper evaluation in the capital markets and connect this to funding and other strategies.

(...) Unlike statutory disclosure, the results of IR vary greatly depending on how companies engage in it. Some companies enhance credibility through IR, while others lose credibility and see their share prices fall"

Japan Investor Relations Association

Mr. Mori, as the person in charge of financial IR, is responsible for not properly understanding shareholder concerns and failing to fulfill his disclosure responsibilities

代表取締役副会長 兼 副社長	<div data-bbox="1620 439 1793 648"></div> <div data-bbox="1824 448 2486 634"><p>森 高弘</p><p>大規模海外プロジェクトに関する特命事項につき、会長を補佐し、社長に協力 グローバル事業推進本部長、グローバル事業推進本部インドプロジェクトリーダ ー、USSプロジェクトリーダー委嘱 財務、各海外事務所（現地法人を含む）担当</p></div> <div data-bbox="1793 648 2517 719">Provide support to Executive Vice President Funakoshi regarding matters related to financial IR in corporate communications</div>
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From Nippon Steel Executive Team – Company Website

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